



**June 2005**

## **Final 2005-07 Operating Budget Higher Education Summary**

### **Overview**

- Total proposed State General Fund expenditures are \$26.0 billion and total available resources are \$26.2 billion. The remaining balance is \$200 million.
- Significant tax increases include:
  - Reinststate a tax on estates – \$139 million
  - Increase the cigarette tax by 60 cents a pack – \$175 million
  - These taxes are dedicated to a new “Education Legacy Trust Fund” to pay for new higher education enrollments and for Initiative 728 – K-12 class size reductions
- State General Fund reserves are reduced by \$488 million and \$233 million is taken from other accounts.

### **Higher Education Highlights**

- The final budget includes a net of \$243 million in policy enhancements for higher education (the HECB in December recommended \$400 million). The budget earmarks \$73 million for enrollment increases, \$60 million for financial aid increases, and \$136 million in compensation and health benefit increases.
- Resident undergraduate tuition may increase each year by a maximum of seven percent at the research universities, six percent at the comprehensive institutions, and five percent at the community and technical colleges. State support is reduced by 25 cents for every new dollar raised by the tuition increase on resident undergraduates (\$17 million reduction). There is also a one percent non-instruction reduction (\$10 million reduction).
- Funding for the State Need Grant is increased by \$69.7 million to expand eligibility for the program to 65 percent of the median family income (up from the current 55 percent) and to cover the impact of the tuition increases and the new state-funded enrollments.

- The Promise Scholarship is terminated beginning with this spring's high school graduates. Savings from this program are directed to the State Need Grant. Students who graduated from high school in 2004 and have received their first-year Promise Scholarship will receive the second installment next year, but no new scholarships will be awarded.
- State Work Study, Washington Scholars, and WAVE are enhanced to reflect proposed tuition increases. For SWS, this enhancement totals \$2.9 million for the biennium. The final budget funds only two Washington Scholars from each legislative district in the second year of the biennium, down from the current three.
- Other financial aid enhancements include: \$500,000 for the Future Teacher's Conditional Scholarship and Loan Repayment Program; \$150,000 for the Foster Care Endowed Scholarship Program; and \$500,000 for a pilot project under which some part-time college students will be eligible for the State Need Grant.
- There is an increase of 7,900 full-time equivalent enrollments during the 2005-07 biennium, with 4,185 at the public two-year colleges and 3,695 at the public four-year institutions:
  - All the new enrollments are awarded directly to the institutions. There is no specific funding for high-demand enrollments. Neither the HECB nor the SBCTC receives funding to operate competitive high-demand enrollment pools.
  - The new enrollments are funded at peer levels as recommended by the HECB.
  - 200 of the enrollments are for lower-division programs at WSU Vancouver; 125 are for lower-division programs at UW Tacoma; 125 are for lower-division programs at UW Bothell; and 25 are for lower-division programs at WSU Tri-Cities.
  - An additional 32 enrollments are for the veterinary medicine program at WSU.
- Cost-of-living adjustments of 3.2 percent in 2005 and 1.6 percent in 2006 are made for faculty and staff; but CTC faculty and selected staff covered by the Initiative 732 cost-of-living adjustments are to receive 1.2 percent increases in 2005 and 1.7 percent in 2006.
- The institutions are asked to show demonstrable progress toward achieving selected performance goals in such items as:
  - For the four-year institutions:
    - Time to degree
    - Access for low-income students
    - Freshman retention
    - Quality of degree programs
    - Quality of research programs
    - Preparing students for the workforce
  - Specific six-year targets are to be established by the institutions, the Office of Financial Management (OFM), and the HECB. The institutions are to submit reports to the HECB.

- For the two-year institutions:
  - The number of academic students who are eligible to transfer
  - The number of students prepared for work
  - The number of students who demonstrate substantive skill gain
- Specific six-year targets are to be established by the SBCTC and OFM.
- Other program improvements: \$4 million for adult basic education enhancements (SBCTC); \$1.5 million for veterinary medicine (WSU); \$1.1 million for two autism centers (UW Tacoma and EWU); \$600,000 to develop college readiness standards in English and science (HECB); \$350,000 for WSU Vancouver and \$100,000 each for UW Tacoma and UW Bothell for lower-division planning; \$500,000 in matching funds for a Korean studies endowed chair (UW); \$400,000 for ghost shrimp research (WSU); \$350,000 for the Jefferson County pilot project (HECB); \$292,000 for Burke Museum outreach (UW); and \$250,000 for the Institute for Learning and Brain Sciences (UW).
- Two requests made by the HECB that were not included in the final budget are the statewide transfer advising system (\$1.6 million) and the student-level data system (\$500,000).
- The capital budget includes \$500,000 for to the HECB to assess the higher education needs in Snohomish, Skagit, and Island Counties and to recommend solutions to the Legislature.
- The governor's comprehensive review of the entire education system is funded at \$1.7 million as proposed by Governor Gregoire. This is to be a study of K-12, early learning, and higher education. For higher education, it is to include:
  - Options on higher education funding
  - The number and distribution of enrollments
  - The appropriate share of instruction to be funded through tuition, state subsidies, and financial aid
  - Methods for determining the cost of instruction
  - Methods for developing common articulation for lower-division work
  - Providing for smooth transitions from high school to college
  - Increasing opportunities for access to baccalaureate degrees
  - Incentives to optimize research conducted by universities and colleges
  - Options for using existing capacity at independent institutions
  - Higher education governance
  - Options for coordinating the capital and operating budgets

**2005-07 Higher Education Operating Budget**  
**May 17, 2005**  
(dollars in millions)

	<u>HECB (December)</u>	<u>Final</u>	
<b>CURRENT BIENNIUM</b>	\$2,697.6	\$2,692.9	
<b>MAINTENANCE LEVEL (amount necessary to continue current services)</b>	\$2,862.2	\$2,830.0	
<b>PERFORMANCE CHANGES:</b>			
<b>Allocating Student Enrollments</b>			
<i>SBCTC</i> : 6,300 total FTEs over two years - 5,000 general enrollments (\$5,400 per FTE) and 1,300 high-demand/apprenticeship enrollments (\$6,900 per FTE)	\$54.0	\$33.7	<i>SBCTC</i> : 4,185 total FTEs over two years funded at \$5,400 per FTE
<i>Four-years (General)</i> : 5,600 total FTEs over two years - 4,400 undergraduates (\$6,303 per FTE) and 1,200 graduate students (average of \$15,000 per FTE), including \$2.0 million for WSU veterinary medicine	\$84.1	\$40.4	<i>Four-years</i> : 3,715 FTEs over two years funded at \$6,303 per undergraduate FTE and \$15,000 per graduate FTE plus another 32 FTEs for WSU veterinary medicine
<i>Four-years (High-demand)</i> : 1,000 FTEs (\$11,000 per FTE)	\$16.5		
<b>Salaries &amp; Benefits</b>			
<i>COLAs for all staff</i> : 3.2% in FY06 and 1.6% in FY07	\$97.0	\$135.6	Includes both salary and health benefit adjustments
<i>Other</i> : (four-years) \$15 million for recruitment/retention; (CTC) \$15 million for part-time faculty salaries	\$30.0	\$9.0	CTC faculty increments and part-time faculty equity
<b>Expanding Student Financial Aid</b>			
<i>State Need Grant</i> : Adjust awards to keep pace with 7% tuition increases; cover unserved students	\$75.2	\$69.7	<i>State Need Grant</i> : Increase eligibility to 65% of the state's median family income and adjust awards to keep pace with tuition increases of 7%/6%/5% at research, comprehensive and CTCs
<i>State Work Study</i> : Adjust for increased costs and partially restore to historic service level	\$3.9	\$2.9	<i>State Work Study</i> : Keep pace with tuition increases
<i>Educational Opportunity Grant</i> : Increase participation	\$0.5		
<i>Promise Scholarship</i> : Set award at \$1,400 per year	\$3.5	(\$12.6)	<i>Promise Scholarship</i> : Terminate program
<i>Washington Scholars/WAVE</i> : Cover 7% tuition increases	\$0.7	\$0.4	<i>Washington Scholars/WAVE</i> : Maintain awards at 100% of tuition; Washington Scholars reduced from 3 to 2 recipients per legislative district in 2006-07

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<i>Financial Aid for Low-income Full-time Workers</i> (New pilot program)	\$2.0		\$500,000 for pilot program contained within the State Need Grant appropriation
<i>Future Teachers' Conditional Scholarship and Loan Repayment Program</i>		\$0.5	
<i>Foster Care Endowed Scholarship</i>		\$0.2	
<b>Special Program Improvements</b>			
Research (UW and WSU)	\$20.5	\$1.2	Various studies and outreach
Adult Basic Education (SBCTC)	\$10.0	\$4.0	
Helping Transfer Students Earn Bachelor's Degrees (HECB)	\$1.6		
Measuring Student Success with Improved Data System	\$0.5		
Operating Costs/Existing Capital Projects (SBCTC)		\$1.1	
Autism centers at UWT and EWU		\$1.1	
Lower-division planning funds (UWT and WSUV)		\$0.6	
College Readiness Standards (HECB)		\$0.6	
Korean Studies Endowed Chair (UW)		\$0.5	
Education needs of Snohomish, Island and Skagit counties (HECB; in Capital Budget)		\$0.5	
Jefferson County Pilot Project (HECB)		\$0.4	
SBCTC Office Lease		\$0.4	
Lidded grant compensation costs (WSU)		\$0.3	
Burke Museum (UW)		\$0.3	
<b>Other</b>			
Maintenance & Operations - General Fund Reduction		(\$15.0)	
Maintenance & Operations - Education Construction Account		\$15.0	
Pension Method Change		(\$18.3)	
Non-Instruction Reduction		(\$10.3)	
Tuition Rate Increase		(\$16.6)	
General Inflation		(\$2.1)	
<b>TOTAL PERFORMANCE CHANGES</b>	<b>\$400.0</b>	<b>\$243.2</b>	
<b>TOTAL PROPOSED BUDGET</b>	<b>\$3,262.2</b>	<b>\$3,073.2</b>	
<b>PERCENTAGE INCREASE (2005-07 OVER 2003-05)</b>	<b>21%</b>	<b>14%</b>	